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Insert the following as Appendix 18 :—

APPENDIX 18.

RULES FOR THE EXHIBITION OF LOSSES IN THE GOVERNMENT ACCOUNTS AND IN THE APPROPRIATION ACCOUNTS.

Section I—Rules for the guidance of the executive officers.

I. *Budgeting.*—Provision for losses should not ordinarily be made in the budget. If, however, the nature of the work of a department is such that some losses must be regarded as inevitable each year, provision may be made, with the special sanction of the Finance Department in each case.

II. *Report of losses.*—With the exceptions noted below, any defalcation or loss of public money, departmental revenue or receipts, stamps, opium, stores, or other property, discovered in a Government treasury or other office or department, which is under the audit of the Accountant General, should be immediately reported to the Accountant General, even when such loss has been made good by the person responsible for it. It will usually be sufficient if the officer reporting the defalcation or loss to higher authority sends to the Accountant General either a copy of his report or such relevant extracts from it as are sufficient to explain the exact nature of the defalcation or loss and the circumstances which made it possible. When the matter has been fully investigated, a further and complete report should be submitted of the nature and extent of the loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting a recovery. The submission of such report does not debar the local authorities from taking any further action which may be deemed necessary.

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Exception 2.—Petty cases, that is cases involving losses not exceeding Rs. 200 each, need not be reported to the Accountant General unless there are, in any case, important features which merit detailed investigation and consideration.

Note 1.—Losses or deficiencies concerning buildings, lands, stores and equipment should be written off any value or commercial account that may be maintained.

Note 2.—In the case of departments where accounts have been separated from audit, a special procedure for report of losses to Accounts and Audit Officers may be prescribed by departmental authority after consultation with the Auditor General.

III. Heads of departments should submit annually to the Principal auditors concerned statements showing the extra statutory remissions of revenue and abandonments of claims to revenue sanctioned during the preceding year. For inclusion in these statements, remissions and

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Page 206, *Appendix* 18 (*as inserted by correction slip No.* 402, *dated 6th October*, 1933)—

Insert the following as Note 1 under Rule III in Section I of this Appendix renumbering the existing Notes 1 and 2 as Notes 2 and 3 :—

" *Note* 1.—The expression 'extra statutory remissions' used in this Rule means remissions in cases in which the authorities concerned see fit or feel compelled for good reasons to refrain from enforcing the law."

[Correction No. 538, dated 2nd October, 1933 to the C. A. Code, Volume I, 8th Edition (Reprint).]

(Correction No. 424, Financial Publication No. I, dated 30th June, 1934.)

abandonments should be classified broadly with reference to the grounds on which they were sanctioned, and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

Note 1.—A local Government may make rules defining remissions and abandonments of revenue for the purpose of this rule, and may, after consultation with its Public Accounts Committee, fix monetary limits below which individual remissions need not be included in the statements.

The Government of Bombay have, in consultation with their Public Accounts Committee, fixed Rs. 500 as the minimum monetary limit below which individual remissions need not be included in the statements.

Note 2.—Where the administrative year does not coincide with the financial year, the figures of the former may, if this prove convenient to the departmental authorities, be given in the statements.

The Government of Bombay have directed that statements showing remissions of land revenue should be furnished by the Heads of Departments concerned by the revenue year, and not by the financial year. In all other cases, the information should be supplied to the Accountant General by the financial year. The annual statements should be furnished to the Accountant General so as to reach him not later than the 15th November of the succeeding year.

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Section II—Rules for the guidance of the Accounting and Audit Officers.

A—Initial Accounts.

I. *Receipts.*—(*a*) If a claim be relinquished, it is not to be recorded on the expenditure side as a specific loss.

(*b*) If, however, money due to Government has actually reached a Government servant and is then embezzled, stolen or lost, even though it may not have reached the treasury and thus have passed into the Government account, it should be brought into the Government account as a receipt and then shewn on the expenditure side by record under a separate head as a loss.

Note 1.—Where losses of public money are wholly or partially met by non-issue of pay or pension and the accounting department authorisedly applies the unissued amount to meet the public claim, the resultant balance of the claim should alone be treated as a loss, the emoluments due being charged to the pertinent head of account as if they had been drawn and used by the Government servant concerned in paying the public claim.

Note 2.—The term "Government Servant" used in this rule includes persons who, though not technically borne on a regular Government establishment, are duly authorised to receive money on behalf of Government.

II. *Buildings, Lands, stores and equipment.*—Losses or deficiencies need not be recorded under a separate head in the accounts, though they should be written off any value or commercial account that may be maintained. If any transactions under these categories are recorded under a suspense head in the Government accounts, losses or deficiencies relating thereto must be written off the suspense heads also.

III. *Cash in hand, whether in treasuries or as imprest with Government servants.*—All losses or deficiencies should be recorded under separate heads in the accounts.

Note 1.—The acceptance of counterfeit coins or notes is regarded as a loss of cash.

Note 2.—Any recovery made in the course of the year in which the losses are brought to account is to be shewn by deduction from the head under which the loss is recorded. Any recovery made after the accounts of the year are closed shall be shown as an item of receipt.

IV. Irregular or unusual payments should be recorded in the accounts with general reference to the ordinary rules of classification according to the nature of the expenditure; for example, an overpayment of pay will be debited to the head "pay". Similarly, an excess payment for bricks manufactured will be debited to the work for which the bricks are used. It is only when special heads exist in the accounts for recording such charges as compensations for damages, irrecoverable temporary loans written off and the like, that unusual or extraordinary payments will be separately recorded.

V. Where losses are an inevitable feature of the working of a particular department, the major head of account under which the expenditure of that department is recorded should contain separate descriptive heads under which such losses may be recorded.

B—Appropriation Accounts.

I. Where losses or deficiencies are recorded in the initial accounts, they will automatically appear in the Appropriation Accounts also.

II. Where losses or deficiencies are not recorded in the initial accounts, they should, if important, be mentioned in the notes under the Appropriation Accounts; provided that individual cases of losses under the main revenue heads shall not be mentioned in those notes unless the list of extra statutory remissions and abandonments of claims to revenue which is submitted to the audit officer suggests the desirability of offering general remarks on the subject.

Note.—In the case of losses of stores, the test of importance should be the *net* value after crediting any sums recovered, and not the gross value of the stores lost. Small losses by fire, or in transit, or in other circumstances beyond the control of any responsible person need not be mentioned in the account; but a heavy loss will probably lead to an increased charge and consequently a note explaining the charge may become necessary.

III. The principal types of irregularity, which should form the subject of audit comment, are mentioned in the instructions issued by the Auditor General for the preparation of the Appropriation Accounts and the Reports thereon.

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Section III—Audit Procedure.

The submission of the returns mentioned in Rule III of section I of these rules, does not in itself connote any extension of the powers of the Audit Department for the audit of receipts. The Accountant General will not audit the exercise of the power of sanctioning writes-off by various authorities as indicated in the returns without a specific order under Rule 12 of the Auditor General's Rules.

(F.D. file S. 63/9708 (*a*) and G.R., 5753, dated 22nd October 1932.)

(Correction No. 402, Financial Publication No. I, lated 6th October 1933.)